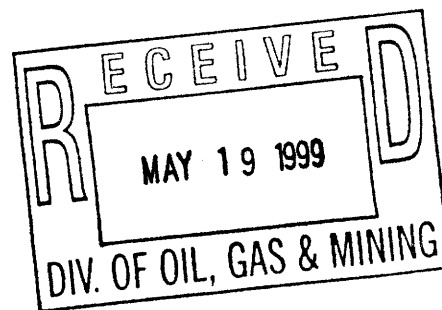




Canyon Fuel Company, LLC
 Soldier / Dugout Canyon Mines
 P.O. Box 1029
 Wellington, UT 84542
 801 637-6360 Fax: 801 637-0108



May 18, 1999

Coal Regulatory Program
 Utah Division of Oil, Gas, & Mining
 1594 West North Temple, Suite 1210
 P. O. Box 145801
 Salt Lake City, Utah 84114-5801
 Attn: Mr. Daron Haddock

ACT/007/039 #2

Joe

RE: Revised Dugout Canyon Exploration Application
ACT/007/039-EXP99B, Folder#3, Carbon County, Utah

Dear Mr. Haddock:

This letter addresses the Division's comments of outstanding deficiencies, identified in their Technical Analysis (TA) and Findings document (4/21/99), of the original submittal of the above referenced Notice of Intention (NOI) to Conduct Minor Coal Exploration. The attached 3 copies of Canyon Fuel Company's NOI have been revised and the modifications reflected within the NOI text are described below.

R645-201-326; Permission for use of roads.

As described in the original NOI document (see PROPOSED ACCESS ROUTES, p.9 & **Right of Entry**, p.18), all drill sites and access routes occur on surface lands that are privately owned by Canyon Fuel Company. CFC either privately owns or leases the mineral property in the exploration area. State mining lease ML-42648 grants CFC the use of the surface and access roads to explore the leased mineral.

Because the State of Utah does own surface property along the southernmost end of the proposed seismic line, authorization from SITLA for use of that surface and the exploration area is being forwarded to the Division directly from SITLA (see attached letter). The NOI has been revised to more accurately describe the surface and mineral ownership in the exploration area and CFC's rights to use the roads (see Surface & Subsurface Owners of Record and Right of Entry, p.18).

R645-202-231; Critical deer summer range.

To avoid raptor nesting and critical deer summer range concerns, the NOI has been modified to reflect a July 15th or later project start-up date (see Period of intended Exploration, p.9 & Estimated Timing for Exploration activities, p.17, & WILDLIFE, p.7).

R645-202-235; Best Technology Currently Available.

Figure 1 in the NOI has been modified to reflect the Best Technology Currently Available (see Figure 1 in Appendix C). Trenching will be conducted prior to installation and stakes will be used in all cases where straw bales are used.

R645-202-235; Authorized/qualified representative present during drilling.

As described in the original NOI document under R645-201-222 (Applicant's Representative, p.6) CFC or its affiliate Ark Land Company, will have an authorized representative present during drilling operations. This representative or other person will be on-site during drilling and qualified to identify and record zones of lost circulation/water and groundwater inflow. This commitment is reflected in the revised NOI (GROUNDWATER RESOURCES, p.6).

R645-202-235, - 244.100; Piezometer completion.

Based upon previous drilling experience in this area, it is not expected that significant flows of groundwater will be encountered within the Blackhawk or overlying formations. Upon occasion, however, minor inflows or damp zones have been encountered during drilling. Because the monitoring of small isolated perched aquifers would not provide useful data, it is not anticipated that any of the exploration holes will be developed and maintained as water monitoring wells.

Drill holes are not planned to be advanced into the major sandstone units of the lower Blackhawk Formation. If, however, through hydrologic connection significant flows of groundwater are encountered in the Blackhawk, Castlegate, or other formations, CFC is prepared to complete the borings as piezometers. These changes are reflected in the revised NOI (GROUNDWATER RESOURCES, p.6).

R645-202-240; Amended reclamation plan approval

The reclamation methods described within the NOI may be modified to address considerations the surface owner, however, before such changes are enacted an amended reclamation plan will be filed and approved by the Division. The revised NOI has been modified to reflect this requirement (RECLAMATION PLAN, p.15).

R645-202-242; Surface preparation during reclamation.

Surface preparation techniques of disturbed areas have been modified to reflect that the seed will be applied shortly after the area is lightly roughened and that the seeded area will be raked to ensure the seed is protected but not buried deeply. The NOI has been revised to reflect these changes (see RECLAMATION PLAN, p.16).

R645-202-242; Seed protection during reclamation.

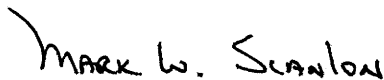
CFC states in the original NOI document (see RECLAMATION PLAN, p.16) that "mulch may also be used" for seed protection. The Division's TA states that "Seed needs to be

protected either by raking the surface after seeding or by applying mulch". CFC is committed to using one or the other of these methods to ensure seed protection. CFC will lightly bury the seeds by raking in most instances. Because mulching may be warranted in other areas requiring greater protection from erosion, and mulching is an acceptable reclamation practice, CFC will use mulch in those areas.

A definitive commitment at this time as to which method will be used in all cases would be imprudent. CFC has committed to using either acceptable reclamation method. The NOI wording has been revised to add clarity (see RECLAMATION PLAN, p.16).

The contractors have been selected and the necessary archaeological survey work is being scheduled. This revision has also been forwarded to Mr. Steve Demczak at the UDOGM field office in Price, Utah. CFC looks forward to the timely approval of its revised NOI application. Should you have any questions or comments, I can be reached at (435) 636-2873.

Regards,



Mark W. Scanlon
Sr. Geologist

attachments:

letter J. Blake to J.Helfrich, dated 5/14/99
3 bound copies of revised NOI

cc: D. Spillman
C. Hansen
Central File



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
<http://www.trustlands.com>

May 14, 1999

Joseph C. Helfrich, Permit Supervisor
Division of Oil, Gas & Mining
1594 West, North Temple, Suite 1210
Salt Lake City, UT

BUILDING MAIL

RE: Minor Exploration, Canyon Fuel Co., L.L.C., Dugout Canyon, ACT/007/039-99A, File #2

Dear Mr. Helfrich,

This letter is to advise you that Canyon Fuel Company, L.L.C., currently holds coal lease ML 42648 in good standing with the Trust Lands Administration as to the following described lands.

<u>T13S, R12E, SLB&M</u>	<u>Carbon County</u>
Sec. 10: S2	3,640 acres
Sec. 11: S2	
Sec. 14: All	
Sec. 15: All	
Sec. 17: NE4, E2SW4, SE4	
Sec. 20: E2NW4, SW4NW4, N2NE4	
Sec. 21: N2NW4, NE4	
Sec. 22: N2, N2S2	
Sec. 23: W2NW4	

The terms and conditions of the lease enable Canyon Fuel Co. and its operators to enter the lands to prospect, explore, drill and mine the coal resources. The Trust Lands Administration approves the above referenced 1999 exploration project, pending final clearance by the Trust Lands Administration of the cultural resources survey.

Sincerely,

John T. Blake
Mineral Resources Specialist

cc: Mark Scanlon
Kenny Wintch